

Registered Number: 4205228

**Yell Limited**

**Annual Report for the year ended 31 March 2004**



# **Yell Limited**

## **Annual Report for the year ended 31 March 2004**

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## **Yell Limited**

### **Company Information**

#### **Directors**

|                  |                         |                      |
|------------------|-------------------------|----------------------|
| John Condron     | Chief Executive Officer |                      |
| John Davis       | Chief Financial Officer |                      |
| Lyndon Lea       | Non-executive Director  |                      |
| Stephen Grabiner | Non-executive Director  | Resigned: 15/07/2003 |
| Stephen Green    | Non-executive Director  | Resigned: 15/07/2003 |
| Stephen Lobmeyr  | Non-executive Director  | Resigned: 15/07/2003 |

#### **Company Secretary**

|                   |                       |
|-------------------|-----------------------|
| John Davis        | Resigned: 29/09/2003  |
| Howard Rubenstein | Appointed: 29/09/2003 |

#### **Registered Office**

Queens Walk  
Oxford Road  
Reading  
Berkshire  
RG1 7PT

#### **Registered Number**

4205228

#### **Registered Auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
LONDON  
WC2N 6NN

## **Yell Limited**

### **Report of the Directors for the year ended 31 March 2004**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2004.

#### **Principal activities**

The Company's principal activity during the year was the provision of classified directory advertising and associated products and services in the United Kingdom.

#### **Review of business and future developments**

The level of business and results for the year were satisfactory and the directors expect that a comparable level of activity will be sustained for the foreseeable future. This is despite the undertakings given to the UK Secretary of State for Trade and Industry in July 1996 (revised in June 2001) in respect of the UK printed consumer classified advertising directories, whereby the advertising rates in the United Kingdom were limited to the Retail Price Index (RPI) minus 6%.

As from 1 April 2003 the remaining central administration functions previously accounted for in the Financial Statements of Yellow Pages Sales Limited were transferred to Yell Limited. The impact of the additional costs incurred is £13,278,000. These costs have not been recharged back to Yellow Pages Sales Limited.

#### **Results and dividends**

The Company's loss after tax for the financial year is £4,603,000 (2003: £40,151,000 profit).

The directors do not propose the payment of a dividend for the period (2003: £nil).

#### **Directors and their interests**

The directors who held office during the year are stated on page 3.

The interests of John Condrón and John Gordon Davis and are also directors of the ultimate parent company, Yell Group plc, are shown in the annual report of that company.

#### **Employees**

An extensive range of communication and consultative arrangements instigated by the Company help to ensure that employees are kept fully informed about developments in the group, including the group's financial performance.

The Company's employment policies and practices aim to meet the special needs of the disabled, particularly where a disability has arisen during the course of employment with the Company.

## **Yell Limited**

### **Policy and practice on payment of creditors**

The Yell Group's policy is to use its purchasing power fairly and to pay promptly and as agreed. The Company has a variety of payment terms with suppliers. The term for payments for purchases under major contracts are settled when agreeing the other terms negotiated with the individual suppliers.

It is the Company's policy to make payments for other purchases within 30 working days of the invoice date, provided that the relevant invoice is presented to the Company in a timely fashion and is complete. The Company's payment terms are printed on the Company's standard purchase order forms or, where appropriate, specified in the individual contracts agreed with suppliers.

The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year ended 31 March 2004 and the amounts owed to its trade creditors at the end of the year was 22 days (2003: 26 days).

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Howard Rubenstein  
Company Secretary

Date: 4<sup>th</sup> June 2004

## **Independent auditors' report to the members of Yell Limited.**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

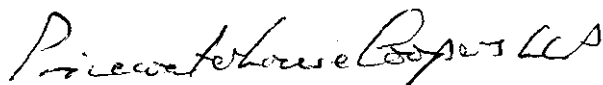
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
London

Date: 4<sup>th</sup> June 2004

**Yell Limited**

**Profit and Loss Account for the year ended 31 March 2004**

|  | Note | Year ended<br>31 March<br>2004<br>£'000's | Year ended<br>31 March<br>2003<br>£'000's |
|--|------|---|---|
| <b>Turnover</b>                                      | 2    | 634,016                                   | 611,481                                   |
| Cost of sales  |      | (238,892)                                 | (219,257)                                 |
| <b>Gross profit</b>                                  |      | 395,124                                   | 392,224                                   |
| <b>Operating expenses:</b>                           |      |   |   |
| Distribution costs                                   |      | (14,716)                                  | (13,841)                                  |
| Administrative expenses                              |      | (241,564)                                 | (223,933)                                 |
| <b>Operating profit</b>                              | 3    | 138,844                                   | 154,450                                   |
| Net interest payable and similar charges             | 6    | (119,148)                                 | (115,858)                                 |
| <b>Profit on ordinary activities before taxation</b> |      | 19,696                                    | 38,592                                    |
| Taxation on profit on ordinary activities            | 7    | (24,299)                                  | 1,559                                     |
| <b>(Loss)/profit for the financial year</b>          |      | (4,603)                                   | 40,151                                    |

The Company has no recognised gains or losses other than the (loss)/profit for the financial year as set out above and therefore no separate statement of total recognised gains or losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

All of the activities of the Company are derived from continuing operations.

**Yell Limited**

**Balance Sheet as at 31 March 2004**

|   | Note | 2004<br>£'000's  | 2003<br>£'000's    |
|---|------|------------------|--------------------|
| <b>Fixed assets</b>   |      |                  |                    |
| Intangible assets   | 8    | 1,009,190        | 1,067,773          |
| Tangible assets   | 9    | 21,840           | 14,668             |
| Investments   | 10   | 2,495            | -                  |
|   |      | <b>1,033,525</b> | <b>1,082,441</b>   |
| <b>Current assets</b>   |      |                  |                    |
| Stock   | 11   | 59,179           | 55,157             |
| Debtors – amounts falling due within one year                       | 12   | 232,140          | 256,900            |
| Debtors – amounts falling due after more<br>than one year           | 12   | 79,631           | 17,251             |
| Cash at bank and in hand  |      | 7,547            | 22,474             |
|   |      | <b>378,497</b>   | <b>351,782</b>     |
| <b>Creditors – Amounts falling due within one<br/>year</b>          | 13   | <b>(546,631)</b> | <b>(241,482)</b>   |
| <b>Net current assets</b>   |      | <b>(168,134)</b> | <b>110,300</b>     |
| <b>Total assets less current liabilities</b>                        |      | <b>865,391</b>   | <b>1,192,741</b>   |
| <b>Creditors – amounts falling due after more<br/>than one year</b> | 14   | <b>(537,167)</b> | <b>(1,184,914)</b> |
| <b>Net assets</b>   |      | <b>328,224</b>   | <b>7,827</b>       |
| <b>Capital and reserves</b>   |      |                  |                    |
| Called up share capital   | 17   | -                | -                  |
| Share premium account   | 18   | 325,971          | 971                |
| Profit and loss account   | 19   | 2,253            | 6,856              |
| <b>Total equity shareholders' funds</b>                             |      | <b>328,224</b>   | <b>7,827</b>       |

The financial statements on pages 7 to 22 were approved by the board of directors on 4<sup>th</sup> June 2004 and were signed on its behalf by:

  
John Davis  
Director



## **Yell Limited**

### **Notes to the financial statements for the year ended 31 March 2004**

#### **1. Accounting policies**

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

##### **Basis of accounting**

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts.

##### **Turnover**

Turnover, which excludes value added tax, comprises the value of products provided by the Company. Turnover from classified directories, Business Pages and other directories, mainly comprising advertising revenue, is recognised in the profit and loss account upon completion of minimum delivery obligations to the end user. Other turnover, principally from 118 247 (formerly Talking Pages) and new media products, is recognised from the point at which service is first provided evenly over the life of the contract.

##### **Cost of Sales**

Cost of sales are costs incurred in producing directories and other products, including costs of the sales force and certain sales overheads dedicated to the sale of advertising. Charges for doubtful debts are also included within cost of sales. Such costs are charged to the profit and loss account as a percentage of turnover calculated based upon the actual bad debts experienced as a proportion of total billings.

##### **Tangible fixed assets**

The cost of tangible fixed assets is the purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual value, on a straight line basis over their useful economic life as follows:

|                        | Years   |
|------------------------|---|
| Office Equipment       | 2 to 5  |
| Leasehold Improvements | 5 (or the life of the lease if less than 5 years) |

##### **Investments**

The investments are valued at the lower of cost and net realisable value.

## **Yell Limited**

### **Intangible assets**

Goodwill, which represents the surplus of the purchase consideration over the fair value of the net separable assets acquired, is capitalised and amortised on a straight-line basis over its economic life, which has been estimated at 20 years.

### **Leased assets**

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred. There are no assets held under finance leases.

### **Stock**

Stock is stated at the lower of cost and net realisable value. Directories in progress mainly comprise sales, artwork and other directory production costs, including appropriate overheads, pending completion of delivery of the relevant directories.

### **Pension costs**

The employees are members of the Yell Group plc group pension schemes. The substantial majority of employees employed before 1 October 2001 are members of Yell Group plc defined benefit scheme. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its employee's share of the underlying assets and liabilities in the scheme. Contributions are therefore charged against operating profit as they fall due.

Employees employed subsequent to 1 October 2001 are members of Yell Group plc defined contribution scheme. Contributions are charged against operating profit as they fall due.

### **Taxation**

The charge for taxation is based on the taxable profits for the year and takes into account deferred taxation on a full provision basis.

Deferred tax is recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more, or right to pay less, taxation in the future. An asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax assets and liabilities have not been discounted.

### **Bank loans and interest**

Issue costs incurred in establishing bank loans are amortised over the life of the relevant loans on a constant yield basis. The unamortised balance of the issue costs is shown as a reduction to the outstanding loan principal.

### **Cash flow statement**

The Company is a wholly owned subsidiary of Yell Group plc and the cash flows of the Company are included in the consolidated cash flow statement of Yell Group Plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from publishing a cash flow statement.

## Yell Limited

### Foreign currency

Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated using the rate prevailing at the transaction date. Exchange differences are recognised in the profit and loss account in the period.

### 2. Turnover

All turnover is derived from services provided in the United Kingdom.

|                                       | Year ended<br>31 March<br>2004<br>£'000's | Year ended<br>31 March<br>2003<br>£'000's |
|---------------------------------------|---|---|
| Printed directories                   | 593,930                                   | 573,694                                   |
| Other (principally Yell.com, 118 247) | 40,086                                    | 37,787                                    |
|                                       | 634,016                                   | 611,481                                   |

## Yell Limited

### 3. Operating profit

The decrease in staff costs and numbers (Note 5) is due to a reallocation of staff employed by Yellow Pages Sales Limited to that company.

|   | Year ended<br>31 March<br>2004<br>£'000's | Year ended<br>31 March<br>2003<br>£'000's |
|---|---|---|
| <b>Operating profit is stated after charging/(crediting):</b> |   |   |
| Wages and salaries  | 30,944                                    | 44,515                                    |
| Social security costs   | 2,501                                     | 3,506                                     |
| Other pension costs (note 21)                                 | 2,598                                     | 3,706                                     |
| <b>Staff costs</b>  | <b>36,043</b>                             | <b>51,727</b>                             |
| <b>Auditors remuneration:</b>                                 |   |   |
| Audit services  | 324                                       | 273                                       |
| Non audit services  | 218                                       | 445                                       |
| <b>Operating lease charges:</b>                               |   |   |
| Plant & machinery   | 6,127                                     | 5,937                                     |
| Other   | 6,692                                     | 2,377                                     |
| Loss on disposal of tangible fixed assets                     | 60  | 20  |
| Equipment hire  | 264                                       | 387                                       |
| Depreciation on tangible fixed assets: owned                  | 10,983                                    | 7,759                                     |
| Goodwill amortisation   | 58,583                                    | 58,873                                    |

Non audit services provided by PricewaterhouseCoopers LLP include amounts in respect of subsidiaries for taxation advice, borne by Yell Limited on their behalf.

### 4. Directors' emoluments

John Condrón and John Davis are directors of the ultimate holding company, Yell Group plc, and of a number of fellow subsidiaries. They are paid by Yell Limited, however, it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly no emoluments have been disclosed in respect of John Condrón and John Davis and their total emoluments and interests are included in the aggregate of director's emoluments disclosed in the financial statements of Yell Group plc.

The non-executive director does not receive remuneration for services as director of Yell Limited.

## Yell Limited

### 5. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

|                     | 2004       | 2003       |
|---------------------|------------|------------|
| <b>By activity</b>  |            |            |
| Marketing and sales | 38         | 206        |
| Other               | 701        | 601        |
| <b>Total</b>        | <b>739</b> | <b>807</b> |

### 6. Net interest payable and similar charges

|   | Year ended<br>31 March<br>2004<br>£'000's | Year ended<br>31 March<br>2003<br>£'000's |
|---|---|---|
| Interest payable on overdrafts and bank loans | 66,768                                    | 62,955                                    |
| Interest payable on group loans               | 48,766                                    | 52,050                                    |
| Accrued discount on group loans               | 1,190                                     | -   |
| Amortisation of issue costs on bank loans     | 4,636                                     | 2,957                                     |
| <b>Total interest payable</b>                 | <b>121,360</b>                            | <b>117,962</b>                            |
| <br>  |   |   |
| Interest receivable on bank deposits          | (2,212)                                   | (2,104)                                   |
| <b>Total interest receivable</b>              | <b>(2,212)</b>                            | <b>(2,104)</b>                            |
| <br>  |   |   |
| <b>Net interest payable</b>                   | <b>119,148</b>                            | <b>115,858</b>                            |

Included within the amortisation of issue costs on bank loans is an amount of £2,342,000 in respect of the write off of issue costs following the restructuring of the secured bank loans on the IPO of Yell Group plc..

# Yell Limited

## 7. Taxation on the profit on ordinary activities

|   | Year ended<br>31 March<br>2004<br>£'000's | Year ended<br>31 March<br>2003<br>£'000's |
|---|---|---|
| <b>Current tax:</b>                         |   |   |
| UK corporation tax on profit for the period | 25,739                                    | 551                                       |
| Adjustment in respect of previous periods   | 2,515                                     | (104)                                     |
| Total current tax                           | 28,254                                    | 447                                       |
| <b>Deferred tax:</b>                        |   |   |
| Capital allowances                          | (1,466)                                   | (1,277)                                   |
| Short term timing differences               | 43  | (729)                                     |
| Adjustment in respect of prior periods      | (2,532)                                   | -   |
| Total deferred tax credit                   | (3,955)                                   | (2,006)                                   |
| Tax on profit on ordinary activities        | 24,299                                    | (1,559)                                   |

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

|   | Year ended<br>31 March<br>2004<br>£'000's | Year ended<br>31 March<br>2003<br>£'000's |
|---|---|---|
| Profit on ordinary activities before tax  | 19,696                                    | 38,592                                    |
| Profit on ordinary activities multiplied by standard rate in UK 30% (2003: 30%) | 5,909                                     | 11,578                                    |
| Effects of:   |   |   |
| Non-deductible goodwill amortisation  | 17,576                                    | 17,661                                    |
| Other expenses not deductible for tax purposes                                  | 2,667                                     | 121                                       |
| Depreciation in excess of capital allowances                                    | (370)                                     | 790                                       |
| Group relief receivable without payment   | -   | (29,604)                                  |
| Adjustments to tax charge in respect of previous period                         | 2,515                                     | (104)                                     |
| Other timing differences  | (43)                                      | 5   |
| Current tax charge for the period   | 28,254                                    | 447                                       |

The corporation tax payable for the year has been reduced by £22,723 because of group relief received from another group company for which a payment of £22,723 will be made.

# Yell Limited

## 8. Intangible fixed assets

|                             | Goodwill<br>£'000's |
|-----------------------------|---------------------|
| <b>Cost:</b>                |                     |
| At 1 April 2003             | 1,171,677           |
| <b>At 31 March 2004</b>     | <b>1,171,677</b>    |
| <b>Amortisation:</b>        |                     |
| At 1 April 2003             | 103,904             |
| Charge for year             | 58,583              |
| <b>At 31 March 2004</b>     | <b>162,487</b>      |
| <b>NBV at 31 March 2004</b> | <b>1,009,190</b>    |
| NBV at 31 March 2003        | 1,067,773           |

The goodwill which arose on the acquisition of the Company's business and net assets from BT is being amortised on a straight-line basis over 20 years, being the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

## 9. Tangible fixed assets

|  | Leasehold<br>Improvements<br>£'000's | Office<br>Equipment<br>£'000's | Total<br>£'000's |
|--|--------------------------------------|--------------------------------|------------------|
| <b>Cost</b>                            |                                      |                                |                  |
| At 1 April 2003                        | -                                    | 28,440                         | 28,440           |
| Transfer from a Subsidiary Undertaking | -                                    | 16,545                         | 16,545           |
| Additions                              | 1,152                                | 11,183                         | 12,335           |
| Disposals                              | -                                    | (6,532)                        | (6,532)          |
| <b>At 31 March 2004</b>                | <b>1,152</b>                         | <b>49,636</b>                  | <b>50,788</b>    |
| <b>Depreciation</b>                    |                                      |                                |                  |
| At 1 April 2003                        | -                                    | 13,772                         | 13,772           |
| Transfer from a Subsidiary Undertaking | -                                    | 10,564                         | 10,564           |
| Charge for the year                    | -                                    | 10,983                         | 10,983           |
| Disposals                              | -                                    | (6,371)                        | (6,371)          |
| <b>At 31 March 2004</b>                | <b>-</b>                             | <b>28,948</b>                  | <b>28,948</b>    |
| <b>Net book amount</b>                 |                                      |                                |                  |
| <b>At 31 March 2004</b>                | <b>1,152</b>                         | <b>20,688</b>                  | <b>21,840</b>    |
| At 31 March 2003                       | -                                    | 14,668                         | 14,668           |

## Yell Limited

At 1 April 2003, the fixed assets of Yellow Pages Sales Limited, a fellow group company, were transferred to Yell Limited at Net Book Value (NBV).

None of the above assets were held under finance leases or hire purchase arrangements.

### 10. Investment

The investment represents the cost of the Ordinary shares in the Company's ultimate parent undertaking, Yell Group plc, purchased in connection with the Group's Capital Accumulation Plan ("CAP"). The CAP was established in February 2004. It allows the Company to make awards of Ordinary shares to employees which vest three years from the date of the grant. There are no performance criteria attached to the vesting of these shares, which are awarded to employees whom the Company wishes to retain as key talent within the organisation.

Yell Limited also holds a 100% interest in Yellow Pages Sales Limited, a subsidiary undertaking, held at £2 cost. Yellow Pages Sales Limited continues to employ a number of sales and administration staff the costs of whom are recharged to Yell Limited. The company is registered and incorporated in England and Wales. The investment is unlisted. In the opinion of the directors, the value of the investment is not less than the carrying value.

### 11. Stocks

|                         | 2004    | 2003    |
|-------------------------|---------|---------|
|                         | £'000's | £'000's |
| Directories in progress | 55,904  | 52,830  |
| Other                   | 3,275   | 2,327   |
| Total                   | 59,179  | 55,157  |

### 12. Debtors

|  | 2004           | 2003           |
|--|----------------|----------------|
|  | £'000's        | £'000's        |
| <b>Amounts falling due within one year:</b>          |                |                |
| Trade debtors  | 206,726        | 222,182        |
| Amounts owed by group undertakings                   | 1,394          | 14,089         |
| Other debtors  | 8,008          | 7,148          |
| Prepayments and accrued income                       | 16,012         | 13,481         |
|  | 232,140        | 256,900        |
| <b>Amounts falling due after more than one year:</b> |                |                |
| Amounts owed by fellow group undertakings            | 71,918         | 13,492         |
| Deferred tax asset                                   | 7,713          | 3,759          |
|  | 79,631         | 17,251         |
| <b>Total debtors</b>                                 | <b>311,771</b> | <b>274,151</b> |



## Yell Limited

### 13. Creditors: amounts falling due within one year

|  | 2004<br>£'000's | 2003<br>£'000's |
|--|-----------------|-----------------|
| Bank loans and overdrafts (see note 15)                      | 85,000          | 110,200         |
| Loan due to group undertakings (see note 15)                 | 29,716          | -               |
| Discounted loan note owed to group undertaking (see note 15) | 301,190         | -               |
| Trade creditors  | 17,794          | 24,300          |
| Corporation tax  | 6,631           | 4,993           |
| Other taxes and social security payable                      | 16,923          | 22,773          |
| Other creditors  | 6,079           | 4,657           |
| Accruals and deferred income                                 | 83,298          | 74,559          |
|  | 546,631         | 241,482         |

### 14. Creditors: amounts falling due after more than one year

|   | 2004<br>£'000's | 2003<br>£'000's |
|---|-----------------|-----------------|
| Bank loans and other borrowings (see note 15) | 536,571         | 675,682         |
| Loan due to group undertakings (see note 15)  | -               | 508,742         |
| Accruals and deferred income                  | 596             | 490             |
|   | 537,167         | 1,184,914       |

Amounts due to group companies are unsecured and interest bearing at a rate of 8%.

## Yell Limited

### 15. Bank and other borrowings

|  | 2004<br>£000's | 2003<br>£000's |
|--|----------------|----------------|
| <b>Secured bank loans:</b>                     |                |                |
| Senior A1 bank loan (LIBOR plus 1.500%)        | 624,000        | -              |
| Senior A bank loan (LIBOR plus 2.375%)         | -              | 549,000        |
| Senior B bank loan (LIBOR plus 2.375%)         | -              | 175,000        |
| Senior C bank loan (LIBOR plus 2.375%)         | -              | 78,024         |
| Revolver Loan Facility                         | 5,000          | -              |
| Gross bank loans                               | 629,000        | 802,024        |
| Unamortised issue costs                        | (7,429)        | (16,142)       |
| Bank loans net of unamortised issue costs      | 621,571        | 785,882        |
| Discounted loan note owed to group undertaking | 301,190        | -              |
| Loan due to group undertakings                 | 29,716         | 508,742        |
|  | 952,477        | 1,294,624      |

### Maturity of debt:

|  |          |           |
|--|----------|-----------|
| In one year or less, or on demand                    | 4165,908 | 110,200   |
| In more than one year, but not more than two years   | 90,000   | 108,800   |
| In more than two years, but not more than five years | 454,000  | 334,000   |
| In more than five years                              | -        | 757,766   |
|  | 959,908  | 1,310,766 |
| Unamortised issue costs                              | (7,429)  | (16,142)  |
|  | 952,477  | 1,294,624 |

In August 2003 there was a re-financing of senior bank loans, whereby the above Senior A, Senior B and Senior C bank loans were replaced with a new senior bank loan, A1.

The Senior A1 bank loan is due in 2008. The facility is repayable by instalments and carries interest at LIBOR plus a margin as stated above. There is a margin adjustment mechanism in relation to the Senior A1 bank loan, commencing with the accounting quarter ended 30 June 2004, under which the applicable margin may be reduced following reductions in Yell Group plc's leverage ratio. Full details of this can be found in the financial statements of Yell Group plc. At 31 March 2004 the 3 month LIBOR rate was 4.375%.

The discounted loan note due March 2005 was issued at 0% coupon and the amortisation of the discount is recognised at 6.5% per annum (2003 - £nil charged).

By means of security Yell Limited has granted an interest over substantially of all of its assets, including a fixed charge over certain of its debts, bank accounts, insurances, intellectual property and specified agreements, and a floating charge over all of its other undertakings and assets.

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### 16. Deferred taxation

Deferred taxation is recognised in the financial statements, and an analysis of the deferred tax asset is given below:

|  | Amount provided |         |
|--|-----------------|---------|
|  | 2004            | 2003    |
|  | £'000's         | £'000's |
| Tax effect of timing differences because of: |                 |         |
| Excess capital allowances over depreciation  | 6,136           | 2,139   |
| Short term timing differences                | 1,577           | 1,620   |
|  | 7,713           | 3,759   |

There are no amounts in deferred tax unrecognised as at 31 March 2004 (2003: nil). The deferred tax assets has been recognised in the financial statements as the directors forecast that the Company will continue to make future profits against which these deferred tax assets can be recovered.

### 17. Called up share capital

|   | 2004 | 2003 |
|---|------|------|
|   | £    | £    |
| <b>Authorised</b>                         |      |      |
| 100 ordinary shares of £1                 | 100  | 100  |
| <b>Allotted, called up and fully paid</b> |      |      |
| 73 Ordinary shares of £1 each (2003: 13)  | 73   | 13   |

On 15<sup>th</sup> July 2003, the Company issued 50 £1 ordinary shares to its immediate holding company for £25,000,000 settled through intercompany.

On 31<sup>st</sup> March 2004 the Company issued a further 10 £1 ordinary shares to its immediate holding company for £300,000,000 settled through intercompany.

### 18. Share premium account

|                          | 2004    | 2003    |
|--------------------------|---------|---------|
|                          | £'000's | £'000's |
| Opening Share Premium    | 971     | 971     |
| Premium on Shares Issued | 325,000 | -       |
| Closing Share Premium    | 325,971 | 971     |

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### 19. Reserves

|                                      | 2004<br>£'000's | 2003<br>£'000's |
|--------------------------------------|-----------------|-----------------|
| At 1 April                           | 6,856           | (33,295)        |
| (Loss)/Profit for the financial year | (4,603)         | 40,151          |
| At 31 March                          | 2,253           | 6,856           |

### 20. Reconciliation of movement in shareholders' fund

|   | 2004<br>£'000's | 2003<br>£'000's |
|---|-----------------|-----------------|
| (Loss)/Profit for the period                | (4,603)         | 40,151          |
| Proceeds of issue of ordinary share capital | 325,000         | -               |
| Net movement to shareholders' funds         | 320,397         | 40,151          |
| Opening shareholders' funds                 | 7,827           | (32,324)        |
| Closing shareholders' funds                 | 328,224         | 7,827           |

### 21. Pensions

Certain of the Company's employees are members of the parent company's defined benefit pension scheme, the Yell Pension Plan. Details in respect of the scheme are disclosed in the consolidated financial statements of Yell Group plc.

In the year ended 31 March 2004 the Company made regular contributions totalling £3,075,000 to the defined benefit section (2003: £3,706,000). In addition, a contribution of £806,000 (2003: £100,000) in respect of benefit improvements was made, of which £950,000 was accrued in the 2003 financial year. There are no provisions held on the balance sheet in respect of this plan at 31 March 2004. The Company has a prepayment of £333,000 in respect of this plan at 31 March 2004 (2003: £Nil). The funding policy differs from the accounting charge primarily in that for funding purposes the company contributes at a target funding level of 105%.

In the year ended 31 March 2004, the Company made contributions at an average rate of 13.05% of pensionable earnings inclusive of expenses and life assurance premiums. The Company's trustees have agreed that contributions for the next two years will continue at the same rate, with an evaluation of future contribution rates after the next full valuation.

### 22. Employee stock options

In March 2002, the Yell Group introduced two stock option plans in the UK, the Yell Group Limited Employee Plan and the Yell Group Limited Senior Manager Incentive Plan. The plans have been set up to provide employees with option rewards that may not be exercised until at least six months after an exit event (e.g. sale or quotation). A charge in respect of this scheme will arise only on the occurrence of such an event.

In September 2003, the Yell Group introduced the Yell Group plc Sharesave Plan. Eligible employees who wish to participate must enter into a savings contract for a period of three or

## Yell Limited

five years under which they will contribute payments of between £5 and £250 per month, and a bonus is added at the end of three, five or seven years. In conjunction with the savings contract, an eligible employee is granted an option to subscribe for Ordinary shares of Yell Group plc out of the repayment made under that contract at the end of three, five or seven years. The exercise price of any option will not be manifestly less than 80% of the market value of the Ordinary shares at the date of the grant. The Sharesave plan is Inland Revenue approved and therefore no charge has been recorded to the profit and loss account in accordance with the exemption available under UITF17.

### 23. Financial commitments

As at 31 March 2004 the Company had annual commitments under non-cancellable operating leases expiring as follows:

|                             | 2004<br>£'000's | 2003<br>£'000's |
|-----------------------------|-----------------|-----------------|
| <b>Land and buildings:</b>  |                 |                 |
| Within one year             | 161             | -               |
| Within two to five years    | 2,188           | -               |
| After five years            | 4,343           | 2,377           |
|                             | <b>6,692</b>    | <b>2,377</b>    |
| <b>Plant and Machinery:</b> |                 |                 |
| Within one year             | 1,209           | 1,790           |
| Within two to five years    | 4,918           | 4,147           |
| After five years            | -               | -               |
|                             | <b>6,127</b>    | <b>5,937</b>    |

### 24. Contingent liabilities

At 31 March 2004 there were no contingent liabilities or guarantees other than those mentioned below or arising in the ordinary course of the Company's business and on these no material losses are anticipated.

The Company participates in a group banking arrangement whereby the Company's assets are provided as security against group loans.

### 25. Related Party Transactions

The results of the Company are included in the consolidated financial statements of Yell Group plc. Consequently the Company is exempt from disclosing details of transactions and balances with the parent and fellow group subsidiaries.

During the year ended 31 March 2004 Yell Limited incurred £6,250,000 (2003: £Nil) transaction costs and £1,037,600 (2003: £3,200,000) in monitoring fees payable to our former sponsors prior to the IPO, Apax Partners & Co and Hicks, Muse, Tate and Furst Incorporated of which £Nil was outstanding at 31 March 2004 (2003: £864,533).

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No transaction of monitoring fees were payable after the 15 July 2003, the date of the initial public offering of Yell Group plc. Both parties ceased being related parties on the 6 January 2004, when they sold their equity interests in the Yell Group.

### **26. Controlling entity**

At 31 March 2004 the immediate and ultimate holding companies were Yell Holdings 2 Limited and Yell Group plc, respectively.

Copies of Yell Group plc consolidated financial statements can be obtained from the Company Secretary, Queens Walk, Oxford Road, Berkshire, RG1 7PT.